

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF HAWAII

UNITED STATES OF AMERICA) Case No. MJ17-00478BMK
)
Plaintiff,) May 9, 2017
) 1:40 p.m.
vs.)
)
DREW WILSON CRANDALL,) U.S. District Court
Defendant.) 300 Ala Moana Boulevard
) Honolulu, HI 96850
)

TRANSCRIPT OF DETENTION HEARING AND PRELIMINARY HEARING
BEFORE THE HONORABLE BARRY M. KURREN
UNITED STATES MAGISTRATE JUDGE

APPEARANCES:

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DISTRICT OF UTAH
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1 MAY 9, 2017

1:40 P.M.

2 THE CLERK: All rise. United States District Court for
3 the District of Hawaii with the Honorable Barry M. Kurren, United
4 States Magistrate Judge, presiding is now convened. The gallery
5 may be seated.

6 Magistrate Judge number 17-00478BMK, United States of
7 America v. Drew Wilson Crandall. This hearing has been called on
8 a detention hearing and preliminary hearing. Counsel,
9 appearances for the record please.

10 MR. CHING: Good afternoon, Your Honor, Darren Ching on
11 behalf of the United States. Also appearing with us Michael
12 Gadd. A
SAUSA

13 THE COURT: Good afternoon.

14 MS. PARK: Good afternoon, Your Honor, Shanlyn Park
15 from the Office of the Federal Public Defender on behalf of Drew
16 Wilson Crandall who is present.

17 THE COURT: Yes, good afternoon. So I know you've
18 already had an initial appearance in this matter, and so today
19 the case is before the Court for a preliminary hearing and a
20 detention hearing. I gather it would also be an identity hearing
21 as well or you waived that already?

22 MS. PARK: We waived that.

23 THE COURT: Okay. Okay. So a preliminary hearing and
24 detention. So where do we stand -- first, before we get to the
25 matter of detention or bail, what are we going to do about the

1 preliminary hearing?

2 MS. PARK: Your Honor, we're going to have the
3 preliminary -- would like to have the preliminary hearing in the
4 district of which he is charged.

5 THE COURT: Okay.

6 MS. PARK: So we're not going forward with anything
7 here.

8 THE COURT: I assume that's acceptable with the
9 Government?

10 MR. GADD: Yes, sir. Thank you.

11 THE COURT: Okay. Very well, that's the route we will
12 take. So let's get to the matter of detention. I assume each of
13 you has received a copy of the report that's been prepared.

14 Gentlemen, I'll have the Government address this first.

15 MR. GADD: Thank you, sir. I have just a few exhibits
16 for the Court --

17 THE COURT: Yes.

18 MR. GADD: -- and the Court has those ~~x~~ ?

19 THE COURT: I have a copy of the set that you supplied
20 to my courtroom manager just before the hearing.

21 MR. GADD: Wonderful. I've given a copy to the Defense
22 as well.

23 THE COURT: Okay.

24 MR. GADD: I'm excited to be here. Frankly, I'm a
25 little nervous. We've been waiting for this for a long time. It

1 means a great deal both for my office and to the people of Utah,
2 and I appreciate the Court hearing us on this. I want to talk
3 just for a minute about the scheme, and then talk about where the
4 Defendant fit in the scheme.

5 So if I can invite the Court to look at Government's
6 Exhibit 1. What you see there is a penny and then the bottle.
7 Inside the bottle there is some white dots. That's Fentanyl.
8 This is a lethal dose of Fentanyl. Fentanyl is incredibly
9 potent. Much more potent than morphine or heroin. Fentanyl is
10 incredibly cheap.

11 These Defendants, they import it from primarily China
12 and because it's so cheap it can be used in a number of ways. It
13 can be used to mix with low grade heroin to sell on the street,
14 but in this case it was used to create fake pills, primarily
15 oxycodone pills, but as you'll see there's all sorts of pills
16 they were willing to sell. The oxycodones are the ones that are
17 giving us all of our trouble.

18 If I can invite the Court to look at Exhibit number 2.
19 This is the pill press that the organization was running when we
20 hit the door and went in the house. It was running. This is in
21 a locked room in his business partner's residence. You can kind
22 of see the metal ^{"V"} ~~B~~. That's a funnel, and then the press is
23 everything next to it.

24 You can see, although it's difficult, residue on the
25 walls, what looks like a Shop-Vac. Most of this was destroyed.

1 The house has been condemned. Hazmat crews had to clean it up.

2 They served the warrant in ~~a~~ level A hazmat gear.
our

3 This press and the others like it -- there were four
4 total in the house that we caught -- produces pills. So they buy
5 the press, and then they buy dies and stamps that allows them,
6 you know, with binding agents and colors, to take a ~~rock raw~~
7 controlled substance like powdered Fentanyl ~~and~~ mix it with these
8 inert substances, and they create a pill that looks like
to
9 oxycodone, and it's stamped like oxycodone, and they're
10 remarkably profitable. They can make these pills for fractions
11 of a penny and to sell them as if they're legitimate
12 pharmaceuticals.

13 In Utah, a 30 milligram oxycodone pill might sell on
14 the street from anywhere between \$20 and \$30 in the Salt Lake
15 metro area. Once you get into our rural communities it sells for
16 much higher. I'm told by agents here that the price is
17 significantly higher here. You can see the profit behind it
18 quite easily.

19 In order to sell these -- these Defendants, to the best
20 of our knowledge, weren't selling them, you know, door-to-door,
21 hand-to-hand at the park. They were selling ~~on~~line, on the Dark
22 Web. The Dark Web is a subset of the internet as we think of it.
23 It's web pages that in order to access you need a specific
aren't
24 browser. It's web pages that ~~are~~ indexed by companies you might
25 consider like Google.

1 They index, you know, Surface Web. The Dark Web is not
2 indexed in that same way and not by those companies, but with the
3 right browser and with a little bit of training you can go on the
4 Dark Web, and you can buy pills like those from defendants like
5 this one.

6 There have been a number of Dark Web market~~places~~ places that
7 have popped up and the Government has tried hard to knock them
8 down as soon as they pop up, the most common of which is the Silk
9 Road. It was taken down a few years ago, and then there was Silk
10 Road 2.0, one called Agora, which of course is Greek for market.
11 The one that they were selling when we caught them, at least
12 during most of their business that we could find, was a Dark Web
13 marketplace called AlphaBay. I don't know, but I suspect it's
14 like a spin-off of eBay.

15 If I could invite the Court to look at Exhibit 3. This
16 is a screenshot of their storefront on AlphaBay. It's grainy --
17 and I'll tell the Court, frankly, I'm fine with it being grainy.
18 I worry a little bit in that, you know, the things we're doing
19 here are public, and I'm not in the business of educating new
20 drug dealers. And so, I'm happy that it's grainy, but I can tell
21 you roughly what we're looking at. These are fake and
22 counterfeit pharmaceutical pills for sale. They're sold in
23 different quantities, they're sold for different amounts, but
24 they sold a steady stream.

25 It quickly became an organization that was too big for

1 Mr. Crandall, who other co-conspirators described as the brains
2 behind the operation, the mastermind. His partner, Mr. Shamo,
3 who we have in custody in the District of Utah, he's very much
4 the ringleader. He was the one to go out perhaps and recruit
5 straw purchasers or nominees, but every co-conspirator and Mr.
6 **parent's themselves**
Shamo's ~~appearance himself~~ have indicated he's just not that
7 smart. He couldn't have set this up by himself. Instead, they
8 view Mr. Crandall as the mastermind behind it. They had to bring
9 in, like I mentioned, other co-conspirators. People close to the
10 organization and then people a little farther away.

11 I'll give you an example. One of the risks that they
12 face when they're running this organization is they're having to
13 import from China things like Fentanyl, or a pill press, or dies,
14 or stamps^A ~~x~~ and law enforcement does our very best to catch it
15 before it gets into the country.

16 And so, if they put their own name and shipping address
17 on that package of Fentanyl there's a chance that we're going to
18 knock on their door and ask them what's going on. Instead, they
19 hire nominees and straw purchasers. And so -- and we've
20 interviewed dozens of these people.

21 Essentially, here is how it always worked. They're
22 friends of the Defendant, they're friends of Mr. Shamo. They
23 party together, perhaps they work together. And so, they are
24 approached and for anywhere between, you know, maybe 2- or \$400 a
25 package, they agree to accept these packages on behalf of the

1 organization. Most of them knew what they were doing was wrong.
2 They all denied that they knew how serious it was, but they were
3 happy to take the Defendant's and Mr. Shamo's money.

4 More close to the center of the organization, pressing
5 the pills takes time, packaging the pills takes time, shipping
6 the pill takes time, combining the orders for the day off the
7 Dark Web marketplace, and then getting those to the packagers and
8 the shippers takes time. And so they started to fill all these
9 roles with people they could trust.

10 If I could invite the Court to look at Exhibit 4, this
11 is one package of many that we picked off right before we took
12 down Mr. Shamo at his residence. By that point in the
13 investigation, we had figured out who these packagers were^{: so} ~~x~~ ~~x~~
14 two women who were packaging these pills in boxes, affixing the
15 shipping label^{. S} ~~x~~ shortly thereafter we figured out who was telling
16 them, hey, these are the orders for the day, here are the
17 shipping labels, print those out, get the postage and stick them
18 on there.

19 This is just the typical package. This is what -- if
20 you're a customer of Mr. Crandall's and Mr. Shamo's, this is what
21 you can expect to receive in the mail. It's not unusual; in fact
22 it was in the course of business to write a fake return address
23 in there. That way you further[—] ~~xx~~ if you're the organization^vyou
24 further distance yourself from liability.

25 This bag is poison. This bag is disguised poison. If

1 you think for just a moment about what type of people abuse
2 prescription oxycodone, it's your neighbor, it's my neighbor.

3 It's people who ~~have~~ ^{had a} knee surgery and got hooked. They don't
4 want to do heroin. They're not comfortable with the risk. They
5 see a pharmaceutical grade pill that is a known quantity. They
6 know how much they take to get high and how much they can take,
7 and then you introduce poison and tragic consequences result.

8 When this group sold their pills on the Dark Web, they
9 were paid ~~a~~ ⁱⁿ bitcoin. Bitcoin, it's a digital currency. It's
10 pseudo-anonymous. It can be used anywhere. The trouble for this
11 group, of course, is that they then, if they want cash, they have
12 to launder that bitcoin back into a fiat currency. And our
13 investigation is revealing that they ~~spend~~ ^t a great deal of time
14 doing that.

15 But before I talk more about bitcoin, I just wanted to
16 take a minute and talk about one last risk that they faced when
17 they brought additional people into their organization. The risk
18 is that the more people who know, the easier it is for the
19 Government to find out. And so, what we saw as we began to
20 unravel the mystery that was their organization is that they took
21 sophisticated and great lengths to disguise and conceal their
22 communications.

23 So Government's Exhibit 5 -- and I won't dwell much on
24 this -- this is an email that the Defendant wrote. He sent it to
25 the same email address he wrote it from. He handed that email

1 address off to the two women that they had hired to package their
2 pills.

3 So what you see here is a Subject, and then From:
passthepeas
4 ~~passedtheps~~ (phonetic) at SIGAINT, that's a secure email system,
passthepeas
5 and then To: ~~passedtheps~~ (phonetic), and then you see that
6 SIGAINT again. The reason these look different is because you
secure
7 can access the **security** email system either using the Surface Web
8 or the Dark Web, but in reality this is an email to and from the
9 same email address.

10 He wrote it there, but he wrote it for those women. He
11 explains in there how to set up PGP encryption. So PGP
12 encryption is a series of algorithms and cryptography that allow
13 communications to be shared securely and privately. He's
14 explaining to them how to run the business his way to make it
15 safe and then, of course, at the very end he tells them delete
16 this. Don't leave any evidence. Because it was in the sent file
17 and not the received file we have a copy of it.

18 They, as a business, were remarkably successful. The
19 Government's Exhibit 6 just is a snapshot, a first approximation
20 of the type of success they saw. And here's why I say that. So
21 one of the online marketplaces that they were selling their pills
22 on, AlphaBay, had the ability like many of, you know, the
23 traditional online marketplaces we see, whether it's, you know,
24 Amazon, or eBay, or the like -- the site had the ability for
25 customers to leave feedback.

1 This is especially important in transactions that are
2 more than arms-length like these. Of course, anonymity is king
3 on the Dark Web, and so goodwill also becomes king if you're a
4 Dark Web seller. You need people to trust that you can deliver
5 on your promises and the feedback provides that tool. The
6 feedback also has a benefit for law enforcement. We were able to
~~sale~~
7 look at every ~~cell~~, in which there was feedback and the
8 finalization, and we were able to see what they are selling, how
9 much of it are they selling, and how much money they're making.

10 And here's how we calculated that last figure, the
11 revenue. We took the amount in bitcoin that they sold it for and
12 the value of bitcoin on the day in which that sale was finalized
13 and created this. Now I will say bitcoin would have been a fine
14 investment for all of us in the last little while. As of Friday,
15 it was over \$1500. When I looked today, it's even higher. They
16 made a killing. This, of course, is just a fraction of their
17 sales, but they made a killing.

18 This Exhibit 7 -- I'll be very brief -- this is what a
19 bitcoin looks like. This is from a bitcoin website where it kind
20 of describes the benefits of using bitcoin including pseudo-
21 anonymity.

22 In order to launder bitcoin, you have to find someone
23 who is willing to buy your bitcoins for cash. One of the ways in
24 which the Defendant went about doing that was a site called
25 LocalBitcoins.com. Not only did he do that, but it appears that

1 his soon to be co-defendant, Mr. Shamo, also did.

2 I'll just be very brief with Exhibits 8 and 9. This is
3 cash we took -- first Exhibit 8 -- cash we took out of Mr.
4 Shamo's house the same day we served the warrant. His comment to
5 investigators was that he had cashed out a little bit of his
6 bitcoin. That's \$1.2 million in cash. Exhibit 9, is another
7 \$430,000 that he had stuffed away at his mom's house a few months
8 prior.

9 Exhibit 10, is a screenshot from LocalBitcoins.com.
10 These are people here in our area, here in Hawaii, in Honolulu,
11 who are willing to buy your bitcoins for cash, and you can see
12 the price at which they're trading. So it pays to invest in
13 bitcoin. Some of these are as high as \$1700. I might -- you
14 know, the Prosecutor may see someone willing to buy it for 1450
15 and thinks maybe that's someone we should talk to.

16 Most of the time, the Defendant and Mr. Shamo they lose
17 a little money on these transactions, so they're willing to sell
18 their bitcoins, but the buyers who have a fiat currency like
19 American dollars will buy it for 90 percent of the value and make
20 a profit that way. If, of course, you've made your bitcoins
21 illicitly, you're more than happy for a ten percent surcharge to
22 turn it back into fiat currency.

23 LocalBitcoins.com is a Surface website, and it's
24 indexed, and so my agents were able to go and search for Mr.
25 Crandall's username. They found that Mr. Crandall has laundered

1 bitcoins both in the Salt Lake City area and also in New Zealand
2 and Australia. And they were able to determine that his profile
3 on that one website had engaged in more than 70 transactions and
4 that -- they don't tell you how many specific bitcoins someone
5 has moved through the site, but what they will do is categorize
6 them. So he's between a 250 and 500 bitcoin exchanger, just
7 being very conservative.

8 So if we say maybe he just made it 250 and if we use
9 Friday's exchange rate, that's close to \$400,000 in cash that
10 he's laundered through that cite.

11 MS. PARK: Your Honor, can I get a time frame of when
12 those transactions occurred?

13 MR. GADD: Just since he's had his -- since he's had
14 that particular login that we tied to him. And my memory, but
15 maybe please don't hold me to this, my memory is that it's
16 roughly 2014 to the present.

17 LocalBitcoins, which is just a website that puts people
18 together has exchanges in place in 248, perhaps 249 countries.
19 Essentially, it's worldwide. Even in countries where the
20 governments don't allow it, it occurs. It makes it so bitcoins
21 very much are a global currency. He can take his money and go
22 anywhere in the world, and he'll have it, and he'll have access
23 to local fiat currency.

24 Mr. Crandall left the United States in November of
25 2015. Co-conspirators have indicated that his girlfriend now

1 fiancé got spooked. They left. To my knowledge and to my
2 agent's knowledge is that he has not come back until now.
3 Exhibit 11 is just some indication that they have in fact been
4 traveling. I noticed, once I saw the pretrial report, that he is
5 not denying that he hasn't traveled. They live a jetsetter
6 lifestyle.

7 If you can take as an adopted admission his fiancé's
8 statements, they had no plans to return to the United States.
9 Instead, they planned to live in Australia, and he's even tried
10 to pick up a job there, of all things, designing online
11 marketplaces to sell things.

12 Even though he had left in November of 2015, Mr.
13 Crandall still worked for the organization and before the
14 organization and Mr. Shamo was taken down and arrested, Mr.
15 Crandall had come back and started providing a service that he
16 could provide with just a laptop and an internet connection
17 anywhere in the world. He started doing some of the online
18 customer support.

19 So he became the person who would gather the orders
20 from the day, and then securely send it to these two women who
21 had been hired to package the orders. At that point, they would
22 hand them off to another co-conspirator whose job was to take the
23 packages, run to the post offices throughout Salt Lake Valley,
24 and ship them randomly.

25 The day after Mr. Shamo was arrested, Mr. Crandall's

1 fiancé reached out to one of their co-conspirators. It didn't
2 take long as my agents began to unravel this case to find out
3 that Mr. Crandall was a major part of ~~that~~ and that he was
4 overseas. And so in a concerted effort -- and I don't make light
5 of the fact that when you have five federal ~~agents who is~~
6 investigating, it takes a concerted effort -- in a concerted
7 effort we went hands-off on the Crandalls and anyone associated
8 with them, and we delayed interviews all in the hopes that he
9 would make a mistake. That we could lull him into this false
10 sense of invincibility and that he might be brazen enough to come
11 back to the United States.

12 We obtained a complaint for him back in January hoping
13 that he might just make this mistake. His fiancé wanted to get
14 married in Hawaii. It was much closer for her family. Australia
15 is a long ways away. Friday was her birthday. So they flew in
16 on her birthday, undoubtedly as a birthday present.

17 We had been tipped off about a week prior that they
18 were coming. My agents and I scrambled out to get here. Along
19 with local HSI Agents who were instrumental and customs officials
20 who were instrumental, they were escorted into interview rooms
21 separately. The agents played dumb at first. Pretended like,
22 you know, maybe we didn't know why they were here, just trying to
23 get some information out of them.

24 And in that conversation Mr. Crandall said he didn't
25 know much about bitcoin. And when pressed on it, he said, well,

1 he had bought one coin once. In the other room, of course, his
2 fiancé said, oh, no, no, no, Mr. Crandall had sold his bitcoin
3 for cash and that's the money they were using to travel. new paragraph
4 I'm not
5 sure we've ever been far from Mr. Crandall's thoughts though and
here's why I say that.

6 My agents conducted a border search of his devices and
7 on his computer -- just in the last few weeks, his computer
8 viewed Government's Exhibit 12. This is an article from a
9 newspaper that discusses the last cocaine cowboy arrested after
10 26 years on the run, a notorious powerboat racing, mansion
11 owning, playboy drug smuggler who was wanted by the federal
12 government. These are the things he reads.

13 The Defendant, Mr. Crandall, came here to court. He
14 submitted a financial affidavit to the Court. There is, I
15 believe, no mention of his bitcoin holdings or all the money he's
16 laundered back into fiat currencies on that financial affidavit.
17 The Defendant gave financial information to Pretrial, and I know
18 there's no mention of his bitcoin holdings or all that cash that
19 he laundered in that financial information.

20 I talked for a minute about the cost -- about the wild
21 success of this organization, but I want to pause just for a
22 moment and talk about the costs. When you release that much
23 Fentanyl into society, and it's disguised as legitimate
24 pharmaceutical pills, there's going to be consequences. It's
25 been likened to firing a shotgun in a crowd.

1 As of today, my agents are investigating 40 potential
2 overdose deaths, and their pills went nationwide. The District
3 of Hawaii was not spared. And also as we find this information
4 out, we send it out as quickly as we can to our local agencies,
5 but the amount of pills is staggering and all the leads haven't
6 been tracked down yet, but while we've been here we looked.
7 There were 11 shipments sent here to Hawaii, and we have one
8 potential overdose that we're looking into. In that one, at
9 least it looks like some medical intervention saved a life.

10 I want to speak briefly now to the suggestion in the
11 report that perhaps Mr. Crandall's parents could offer their home
12 as a guarantee that he'll show up, that he won't run, that he
13 won't continue his crimes, but I would like to speak instead of
14 on their behalf, since I have no right to do so, I would like to
15 speak on behalf of the parents who will never have that
16 privilege. I would like to speak to Your Honor on behalf of the
17 mom and the dad of every one of those victims.

18 You know, we talk so much about overdose and whether or
19 not that is a good measure of how dangerous someone's conduct has
20 been I think is debatable. In reality, every one of these pills
21 that he sold has a story at the end of it. It cannot be
22 measured, but it's a story of lives and relationships ruined. I
23 will say this on behalf of those parents, there are no conditions
24 of release that the Court could impose that will keep us safe.

25 By investigating Mr. Crandall, we've revealed to him

1 the one or two mistakes they made, and I'm confident he'll never
2 make those again. Mr. Crandall has the means, at his disposal,
3 to go anywhere in the world and live outside of our jurisdiction.
4 He has the express desire to not be in the United States, and
5 he's armed with the ability to start his organization at any
6 time. It takes very little start-up costs and all of the
7 knowledge that's in his head. We won't be safe if he's out, and
8 I have no confidence that he'll appear with or without the
9 posting of property as assurance.

10 I would ask the Court to detain him. We're anxious to
11 bring this matter to a resolution in the District of Utah. I
12 would ask the Court to detain him so that we can do so. Thank
13 you.

14 THE COURT: Thank you. Ms. Park.

15 MS. PARK: Thank you, Your Honor. Your Honor, I think
16 the Court is very, very aware that the weight of the evidence is
17 the least factor that the Court should weigh in determining
18 whether somebody should be released or not, and the Government
19 spent about 15 minutes discussing the weight of the evidence.

20 But one of the things I would point out in the
21 Government's statement that I think the Court should look at, and
22 should weigh in regards to the issues that you are asked to
23 decide today, which is flight risk, is the fact that the
24 Government made it clear that they did not try to reach out to
25 Mr. Crandall, or they did not try to even reach out to his

1 parents to let them know that they were looking for him.

2 So you don't -- you know, the inference that is made
3 that he left the country because of this investigation just
4 simply is not there. The co-defendant was arrested a year after
5 he left. He had already been traveling abroad when the co-
6 defendant was arrested. There is -- as the Government admits,
7 they did not reach out to anyone in Mr. Crandall's circle to let
8 them know that they were looking for him. They purposely stayed
9 low.

10 So how do you have a Defendant -- how can you make a
11 claim that this person is a flight risk or because of his foreign
12 travel when there's no knowledge connecting that he was wanted or
13 that they were looking for him, or that he was part of this
14 conspiracy that they were charging him with.

15 Your Honor, I would ask the Court to consider the fact
16 that in regards to the weight of the evidence that, you know,
17 many of the things that the Government has said, we don't have
18 any documentation or anything to support that. In the regards to
19 the email that was sent, the Government made the proffer that
20 that is the Defendant. I see the email, I know what the email
21 says, but I don't know if that's tied to the Defendant or not.

22 THE COURT: I think probably we look more at what the
23 allegations are that are in the complaint that, of course, is on
24 file with the Court and, you know, there are serious
25 allegations --

1 MS. PARK: There are serious allegations.

2 THE COURT: -- with regard to substantial large scale
3 drug trafficking. So that to me is perhaps more significant than
4 a lot of the collateral information here, I certainly would agree
5 with that, but you do have those allegations in the complaint,
6 and I, you know --

7 MS. PARK: And I do -- and I understand --

8 THE COURT: Right.

9 MS. PARK: -- and I accept that. You know, they are
10 allegations at this point. This is a criminal complaint.

11 THE COURT: Right.

12 MS. PARK: This isn't an indictment --

13 THE COURT: Yes.

14 MS. PARK: -- so there hasn't been a finding by a grand
15 jury, but I do think what we have proffered -- or what we have
16 asked Pretrial Services to look at, by way of the parents, being
17 third-party custodians, posting of actual cash or even property
18 -- their home, I think is significant to address the issues of
19 flight risk. His parents are here. They're in court and the
20 Court can question them about being a third-party custodian.

21 In light of the serious allegations, Your Honor, I
22 would not ask this Court to release him on conditions of bail,
23 allow him like two weeks to return to Utah. I don't think that
24 that is necessary or something that I would even proffer to the
25 Court at this time. What I would proffer is something very, very

1 limited.

2 Basically, his parents are responsible for transporting
3 him back to Utah, they have to post cash surety, and basically he
4 would go from the Federal Detention Center to the Honolulu
5 Airport, get on a plane with his parents and return to Utah, and
6 then have to go to court immediately upon his return.

7 You know, we can move up court dates very, very easily,
8 and -- we could do that, or we could keep him in custody until
9 that could be accomplished, but I would not be asking for, you
10 know, two weeks here in Hawaii, you know, to continue on with his
11 plans to get married or to any of that. I mean I think those
12 have to be put aside in order to deal with the seriousness of the
13 allegation.

14 So that is something that I would ask the Court to
15 consider is that very, very limited release, and then back in the
16 District of Utah they can make a determination of whether they
17 want to continue him on that release plan or whether they want to
18 detain him at that time.

19 Your Honor, Pretrial Services raises some issues in
20 regards to failure to appear because of past traffic violations.
21 I would just ask the Court to note that those are traffic
22 violations. Eventually all of that was cleared up and there is
23 no outstanding warrants for him in Utah at all.

24 And in regards to any other possibility of foreign
25 travel, the governments here have seized his passport. His

1 passport is, according to the Government's attorney, en route
2 back to Utah. So we all know that you can't travel out of this
3 country easily without a passport, but I would note that all of
4 his foreign travel when he was traveling was with a U.S.
5 passport. He wasn't using any other means to get around these
6 countries. He wasn't presenting himself as a different
7 individual. He was presenting himself as Drew Crandall, and used
8 his U.S. passport, and traveled -- and left the country before
9 this investigation even surfaced, and continued to travel because
10 there was no indication that he was a target at that point in
11 time.

12 If there had been some indication that he was a target,
13 and then didn't return, I could see that argument, but I can't
14 see the argument being accepted that, oh, we purposely kept a
15 hush-hush kind of situation, and he didn't come back. He doesn't
16 know to come back. There's no indication that he should be
17 coming back. And there's nothing wrong with U.S. citizens
18 traveling abroad and working abroad. Many people do it.

19 And so, I don't think that the Court can just on that
20 basis infer that his foreign travel makes him a flight risk. I
21 think the issue of dangerousness, I think the issue of flight
22 risk are all taken into account with the proffer of a very, very
23 limited release plan that we would proffer in this case.

24 THE COURT: Okay. Thank you. So on some of the
25 specific points that Ms. Park has raised, any rebuttal or further

1 argument on that?

2 MR. GADD: Just very briefly. There was a suggestion
3 that perhaps if we would have reached out to him, he would have
4 come and quietly surrendered. That was belied by his fiancé
5 checking with the co-defendant right after his co-defendant's
6 arrest. I say co-defendant, co-conspirator. They in fact knew
7 all about it, and they chose to stay abroad, because they knew
8 the other shoe was going to drop.

9 In regards to taking his passport, it's true, it's en
10 route. It's evidence of his crime. The Dark Web is a scary
11 place, but the Defendant knows as well as I know passports are a
12 few clicks away and bus -- and boat rides are maybe even closer.
13 There are no series of conditions, nothing we've heard suggested
14 that gives me any hope that he'll return to the District of Utah
15 to stand trial. Thank you.

16 THE COURT: Okay. Thank you. You know, before I rule
17 on the matter of detention I do want to just confirm with Mr.
18 Crandall that he is in full agreement with the plan to have a
19 preliminary hearing --

20 MS. PARK: Oh, yes.

21 THE COURT: -- in Utah. So, Mr. Crandall, you of
22 course have a right under the law to have your hearing held here
23 and within a certain time frame, and, you know, the attorneys
24 have indicated to me that everybody is in agreement that the
25 hearing should -- you know, will take place in Utah. And that,

1 of course, would entail then a waiver of your right to insist
2 upon that hearing being held, you know, relatively soon here in
3 Hawaii.

4 So I know you probably have discussed this fully with
5 Ms. Park, but I want to make sure this is your decision, and
6 you're in agreement with that point. Is that the case?

7 THE DEFENDANT: Yes, Your Honor.

8 THE COURT: Okay. Very well, then -- so I -- you know,
9 I will order that the preliminary hearing be delayed, which will
10 involve a waiver of the right to a speedy preliminary hearing and
11 to be held in Utah.

12 So in dealing with the matter of detention, you know,
13 both of you have made very good points about this case. This is
14 an unusual case to be sure. There certainly are allegations here
15 of very sophisticated, large scale drug trafficking.

16 And while it is true that the charges are not among the
17 most significant factors that the Court considers, in a case such
18 as this where you have these kinds of allegations measured
19 against what we may be able to do to address conditions of
20 release, you know, these allegations are quite significant, and
21 it certainly appears to me that in light of these allegations,
22 you know, I would have to analyze well what could we really do to
23 protect against what clearly, on its face, would consider a
24 reason for concern with respect to a flight risk.

25 And while it is true that I think the family is doing

1 all it can to propose certain financial -- a basis to protect
2 against the flight, I think measured against the serious issues
3 in this case, it just isn't really sufficient and, frankly, I
4 don't think there are any conditions in light of the allegations
5 here that would cause me enough confidence that he would not pose
6 a serious flight risk. I think the evidence most definitely has
7 demonstrated by -- principally the issues involved in this case
8 indicate to me that by a preponderance of the evidence that he is
9 a flight risk.

10 Now, has he resided in Australia and outside the
11 country in order to avoid addressing the concern of this case,
12 you know, that may well be. I'm not so convinced of that at this
13 point. I am persuaded that given the sophistication that's
14 involved in this case that there are certain -- and the
15 Defendant's experience and knowledge with regard to foreign
16 travel, that there's too much at stake here, and it's very clear
17 to me that he possesses certainly the skillset and ability with
18 his foreign travel experience to be able to potentially avoid
19 appearing as required.

20 So those are factors that I think do aggravate the
21 circumstances of this case. So the bottom line is really that I
22 don't think the proposal concerning cash and home equity really
23 is sufficient under the circumstances here to really balance
24 against what are clearly very serious drug trafficking issues in
25 this case.

1 I don't think there are any conditions that would
2 satisfy the Court at this time, but I will say this, that, you
3 know, we are somewhat limited in a case like this where it is not
4 in our district, and I -- what I have before me now certainly
5 indicates that he poses a substantial serous flight risk, but I
6 see this, you know, based on the limited information I have
7 presented by way of the complaint and the representations that
8 are made here in court. I think certainly you can raise these
9 issues if you wish and other matters in the district in which the
10 case is brought to further explore it.

11 Taking the kind of chance or risk that you're
12 suggesting, Ms. Park, for a temporary release is really not
13 satisfactory under the circumstances here. So I'm granting the
14 Government's motion to detain. You know, the matter can be
15 raised anew in the District of Utah. And I will remand Mr.
16 Crandall to the custody of the Marshals. Commit him to the
17 district -- to be taken to the District of Utah for further
18 proceedings in connection with this case.

19 Okay. I don't have the papers in connection with that
20 here before me now. I don't know if you have those papers
21 available.

22 MR. CHING: Your Honor, we've prepared it.

23 THE COURT: I'm going to go ahead and sign off on the
24 waiver of the preliminary hearing.

25 MR. CHING: We also, Your Honor, have the commitment.

1 THE COURT: Okay. Let me go ahead and sign off on
2 that. Okay. Very well, anything further to take up in this case
3 at this time?

4 MS. PARK: Date for him to appear in Utah, Your Honor.

5 THE COURT: Well, do you have something set up there?

6 MR. GADD: I did in the event that he was released.
7 However, I think the way we typically handle it is we'll have the
8 Marshals bring him just as soon as possible. He'll immediately
9 have his initial appearance in front of our Magistrate there and
10 will have an attorney appointed if he in fact qualifies, and then
11 from there we'll immediately move into arraignment.

12 THE COURT: Okay, so there isn't anything set up really
13 at this point then?

14 MR. GADD: No. No, it all depends on the Marshals.

15 THE COURT: Okay. So my order will be that he be taken
16 as soon as practicable and possible to the District of Utah to
17 respond to the charges and that as soon as he is present there
18 the matter can be set on for further proceedings.

19 MR. GADD: Yes, sir, we will.

20 THE COURT: Okay.

21 MS. PARK: Thank you, Your Honor.

22 THE COURT: Stand in recess.

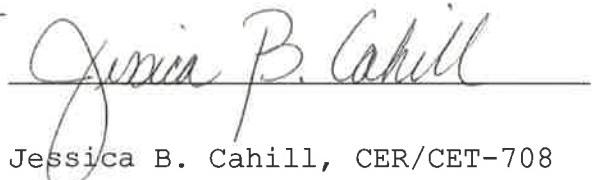
23 THE CLERK: All rise.

24 (Proceedings Concluded)

CERTIFICATE

I, Jessica B. Cahill, court approved transcriber, do hereby certify that pursuant to 28 U.S.C. §753, the foregoing is a complete, true, and correct transcript from the official electronic sound recording of the proceedings in the above-entitled matter and that the transcript page format is in conformance with the regulations of the Judicial Conference of the United States.

Dated: October 6, 2017



Jessica B. Cahill, CER/CET-708

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